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Proposal: Regulation Z - Truth in Lending

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Comments:

Dear Federal Reserve Board: My name is Sherri Mannausau and I represent TruStar Federal Credit Union, located in International Falls, MN. I am writing a comment in response to the proposed changes to Regulation Z stated in a FRB press release on May 23, 2007. Our credit union has been practicing open-end lending for over 15 years. The proposed changes would have a critical impact on multi-featured open-end lending, and, for our members, this will be a negative impact. To date, our credit union has had great success with open-end lending with no regulation concerns. We feel that if all the proposed changes occur, the way that we lend will change drastically. The changes that could occur are as follows: 1. Increased expenses to our credit union would have to be passed on to our consumers – we would need to retrain our staff, change our document set, change our data processing capabilities and increase staff to accommodate the changes. This might have to come in the form of higher loan rates and perhaps less service. 2. Losing our competitive edge and decreased member convenience – we pride ourselves on our convenient lending, which has made us very competitive over the years. If this proposal becomes effective, we will have to incur expenses to switch to closed-end lending. Our members would lose convenience and flexibility through the lack of affordable lending alternatives. In addition, our members with remote lending needs will be particularly disadvantaged. Given our isolated location, we have many members that have left the area, but still choose to bank with us due to the convenience. 3. Continued regulatory changes – We feel that if the FRB makes changes to open-end lending, we, and more credit unions, would be forced to go to closed-end lending. We know that the FRB is also looking into making regulatory changes to closed-end lending; we are concerned that continuous regulatory changes and our actions to remain in compliance would affect our ability to serve members effectively. We understand the changes for the credit card companies, but do not understand why the multi-featured open-end lending regulations must

change. To our knowledge, we have not heard of any cases against financial institutions for open-end lending, so we feel that the way we conduct open-end lending has not harmed anyone, in fact, it has always been for the best interest of our membership. We are asking that the FRB please reconsider the proposed changes to open-end lending so we can continue to deliver convenient and excellent service to our membership. Respectfully, Sherri Mannausau Vice President of Sales TruStar Federal Credit Union